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# TAPPING IMMIGRANTS' SKILLS: NEW DIRECTIONS FOR CANADIAN IMMIGRATION POLICY IN THE KNOWLEDGE ECONOMY

Jeffrey G. Reitz\*

## I. INTRODUCTION

THE utilization of immigrants' skills has emerged as a significant issue for Canada's immigration program. This is due to the specific nature and current situation of its immigration. For some time now, the country has been committed to mass immigration. This distinctive Canadian strategy is a product of our institutional history and our position in North America. Now, the emergence of an education-based knowledge economy in Canada has focused attention on the country's ability to continue making effective use of immigrants' skills in the changing labour market. This paper examines these trends and the policy options for Canada's immigration program. It assesses the need to better utilize immigrants' skills relative to other policy options, and it examines some of the institutional constraints and obstacles in pursuing this objective.

The paper proceeds in three parts. The first examines the significance of immigrant skill underutilization in the Canadian labour market today, and shows that the economic, social, and political repercussions are com-

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pounded by the declining employment prospects for new immigrants. The second discusses the impact on Canadian immigrants of institutional factors, in particular those associated with changes in the labour market and the knowledge economy, and suggests that this new environment is not entirely immigrant friendly. As knowledge occupations multiply, and as educational requirements are upgraded across the workforce, there appear to be more institutional barriers to the effective integration of highly skilled immigrants. The third part of the paper identifies some of the institutional obstacles and constraints that must be confronted and the reforms that are necessary to forge an effective immigrant skill-utilization policy.

## II. THE UNDERUTILIZATION OF IMMIGRANTS' SKILLS IN THE CANADIAN LABOUR MARKET

The issue of the underutilization of immigrants' skills, although by no means new, is increasingly pressing. It featured in discussions of immigration issues twenty-five years ago, and more recently it has been the subject of several research and policy initiatives in Canada and in other immigration countries such as the United States and Australia, as well as in Europe.<sup>1</sup>

There are two estimates of the economic impact of immigrant skill underutilization (Reitz 2001a; Watt and Bloom 2001). Using quite different methodologies, they both produce figures in the range of \$2 billion annually. They both define the economic impact as the reduced value of the work done by immigrants because their qualifications were not being recognized in the workplace. I calculated, based on Canadian census labour-force data, that foreign-educated immigrants earned \$2.4 billion less than native-born Canadians with formally comparable skills because they worked in occupations that were below their skill levels. I also concluded that at least two-thirds of these unutilized foreign-acquired skills—worth \$1.6 billion—are in fact transferable to Canada, in the sense that these skills would have productive value if used in the Canadian context. Watt and Bloom conducted a survey of workers' perspectives and found that immigrants were very prominent among those reporting that they had skills that were not being used in their present jobs. The authors' estimate of the value of those skills was roughly comparable to my assessment (see also Harvey and Blakely 2001).

This economic impact is, in fact, only the tip of the iceberg. Its significance is even greater when one takes into consideration the overall trend of immigrants' declining earnings and employment success, despite rising

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1. For early discussions of immigration issues that mention skill utilization, see Abella (1984), Canada (1984), and Arnopoulos (1979). For more recent discussions of related research and policy initiatives in Canada, see Goldberg (2000); McDade (1988); Stasiulis (1990); Mata (1994); Conger (1994); Skills for Change (1995); Conger and Bezanson (1996); Brouwer (1999); and Canadian Alliance of Education and Training Organizations (2004, 18-24).

skill and education levels (Reitz 1997a, b; Dougherty 1999; Reitz 2001b). This trend, discounted for many years by researchers as cyclical and not an indication of a long-term change in the Canadian labour market's capacity to integrate immigrants (Bloom et al. 1995; Grant 1999), is now being acknowledged as a more serious, chronic problem. Indeed, the optimistic expectations that the trends might be reversed with the economic recovery of the late 1990s were dashed by the poor employment and earnings outcomes for immigrants revealed in the 2001 census (Statistics Canada 2003, 12; Frenette and Morrisette 2003; Galarneau and Morrisette 2004). Earnings of newly arrived immigrant men, which in 1980 had amounted to about 80 percent of those of native-born Canadian men, had dropped to 60 percent in 1996.<sup>2</sup> Employment rates have fallen as well: in 1980 the employment rate for newly arrived immigrant men was 86.3 percent, close to the 91 percent for native-born Canadian men. By 1996, it had fallen to 68.3 percent for newly arrived immigrant men, as compared with 85.4 percent for native-born Canadian men. The relative trends for newly arrived immigrant women were similarly negative (Reitz 2001b, 590-95). Additionally, there were alarmingly high poverty rates among a number of immigrant groups across Canada, particularly in immigrant-receiving cities like Toronto (Kazemipur and Halli 2000). Ornstein shows that in Toronto, according to 1996 census data, the poverty rate for all families of non-European origin was 34.3 percent, or more than double the rate for families of European origin (2000). Poverty rates for some categories of non-European families approached 50 percent or more.

Although educational credentials among recent immigrants have been higher on average than those of Canada's native-born workforce and are rising, and despite the fact that recent immigrants' levels of fluency in one official language have not changed, the trends in immigrants' employment and earnings are downward. This suggests that the real problem is not so much their skill levels, important as they may be, but rather the extent to which these skills are accepted and effectively utilized in the Canadian workplace.

The difficulties confronting immigrants are a problem for Canada, not only in economic terms, but also because of the social and political repercussions involved. The fact that the vast majority of immigrants to Canada today belong to racial minorities may well magnify these impacts. Overall earnings disadvantages and the extent of skill underutilization are greater for immigrants who belong to racial minorities than they are for those of European origin. For example, 1996 census data showed that the earnings of immigrant men of non-European origin, after adjusting for differences in education and language fluency, were between 15 and 25 percent less than those of immigrant men of European origin. And the extent of skill underutilization for immigrants of non-European origin was also greater than for those of European origin. Among black immigrant men, for example, about 23 percent of the overall earnings gap in

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2. Corresponding data for the 2001 census is not available.

1996 (which was \$6,746 after adjusting for differences in education and other measured qualifications) could be attributed to differences in access to skilled occupations (Reitz 2001a, 367-69). In any society, the correlation between ethnic or racial status and economic success over extended periods of time is bound to become divisive and to affect inter-group relations.

The emphasis in Canadian government policy on points-based immigrant selection and, in particular, on ever-higher educational standards, is not having the desired impact. One possible response would be to fine-tune the immigrant-selection process. But given that sustained efforts to that effect over several decades have proven so ineffective, relying entirely on that approach seems inadvisable. There are three other alternatives to the current policy. But two of them, even if they could be adopted, may have significant negative collateral impacts.

The first option would be to accept downward employment trends among immigrants as part of present-day reality and hope for a better future for their children. The expectation of better prospects for the second generation is based, in part, on the importance attached to education by highly educated immigrants, which they likely pass on to their children. Also, employers are more likely to accept this second generation, because their education, unlike that of their parents, will have been acquired in Canada. Data on the offspring of immigrants generally confirm this optimism (Boyd 1992).

The downside of this option, however, is that even if poverty among the immigrant parents does not impede the educational aspirations they have for their children, there could be negative collateral effects that result in social costs for the host society. Immigrants living in poverty could create pressures—or at least the perception of such pressures—on the social safety net. This could lead, in turn, to public demands for a reduction in social programs and other support for immigrants, moving Canada toward a more individualistic institutional framework, such as that in the United States. One's support for this option would depend on one's attitude toward the American, as opposed to the Canadian, approach to social policy and the problem of poverty.

The second and not necessarily mutually exclusive option would be to cut immigration levels in an attempt to reduce its negative social impact. For most of the period since the Second World War, Canada has pursued an expansionist immigration policy, and the current Liberal government is continuing this approach with its target immigration level of 1 percent of the population per year, which is about 300,000 immigrants. For much of the past decade, actual immigration levels have ranged between 200,000 and 250,000. On a per capita basis, these numbers are comparatively high—about three times the amount in the United States, for example. Critics of Canadian immigration, such as Daniel Stoffman (2002, 191), have suggested cutting these numbers to between 150,000 and 200,000 (see also Collacutt 2002).

The difficulty with this option is that it would somewhat curtail Canada's reliance on immigration, thus foregoing its potential future economic benefits. Canada, more than other countries, has relied on immigration as a development strategy. This is partly due to its small size—particularly relative to its geographic neighbour, the United States—and its low fertility rate. Demographic projections show that for the most part, labour-force growth in Canada for the foreseeable future will stem from immigration.

Recent experience in Australia illustrates the downside of cutting immigration. Australian public opposition to immigration in the 1990s, partly attributed to the influence of Pauline Hanson, a controversial right-wing Australian politician, and the election in 1996 of Prime Minister John Howard, resulted in the number of immigrants being reduced from approximately 140,000 per year in the late 1980s to between 70,000 and 90,000 in the mid-1990s. In the short term, reducing immigration actually lowered the average educational level of immigrants coming to this country. This is because there was political resistance to reducing family-class immigration; therefore, it was easier to reduce the skilled-worker-immigrant category. Over the longer term, as a result of economic pressure, Australia has reluctantly returned to accepting larger numbers of immigrants. Australia's recent target has been in the range of 100,000 to 110,000 per year (Castles and Vasta 2004, 146). Furthermore, the experience of cutting immigration levels tended to reinforce a negative perception of immigrants, thereby potentially exacerbating domestic race-relations problems.

By comparison, Canadians have a positive view of immigration (Simon and Lynch 1999, 461). Over the past quarter-century, when there have been comparatively high levels of immigration, the majority of Canadians have supported either maintaining those levels or increasing them (Reitz 2004). Arguably, popular support for immigration in Canada has helped ease the settlement process for immigrants. And the absence of intense public debate over immigration levels has helped to maintain this supportive environment.

The two options of accepting downward employment trends among immigrants and cutting immigration levels would not be advisable for reasons I have outlined. The third alternative—the one I will propose here—is to augment the institutional capacity to utilize immigrants' skills more effectively.

### III. EFFECTS OF LABOUR MARKET CHANGE IN THE KNOWLEDGE ECONOMY

Canada's current immigration strategy rests largely on human capital theory. This theory was developed to increase our understanding of labour markets in a knowledge economy, but its weaknesses, when applied to immigrants, have become evident. Whereas human capital theory suggests that workers' earnings reflect the productive value of their skills,

particularly skills based on formal education and work experience, immigrants' recent labour market outcomes contradict that expectation. Immigrants' skills have risen to unprecedented levels, yet their earnings have fallen in both relative and absolute terms. Of immigrants arriving in 2000, for example, about 45 percent had university degrees, yet their earnings after a year in Canada were less than those of previous comparable cohorts of immigrants going back to 1980 (Statistics Canada 2003). As well, the official language skills of immigrants who arrived in 2000 were about the same as for those who arrived a decade earlier. Nevertheless, immigrants' earnings gains associated with education have been falling relative to those of native-born Canadians, as has the value associated with knowledge of official languages (Reitz 2001a, 600; see also Statistics Canada 2003, 12-13, 36; Pendakur and Pendakur 1998).

One reason for the weakness of human capital theory as applied to immigrants is that it assumes employers have effective means to assess the productive value of prospective workers' skills. The underutilization of immigrant skills reveals that they do not (Li 2000; Reitz 2001a). When employers respond to information about the job-relevant skills presented by applicants, they are actually relying on a fairly elaborate set of institutional supports, which may not work as effectively when the applicants are skilled immigrants.

Historically, immigration policy in Canada has responded to the stages of its economic development. When agriculture was the economic priority, Canada recruited immigrants for agricultural work. When priorities shifted to those of an industrializing economy, Canada recruited immigrants for construction and manufacturing. Now that Canada is moving toward a postindustrial or knowledge economy, immigrants are being recruited to respond to that economic imperative. In the previous two phases, the agricultural and industrial, it was sufficient to recruit immigrants on the basis of their capacity for physical labour and for acquiring the limited skills necessary for manual work. Assessment of foreign credentials was essentially irrelevant. In the knowledge economy, immigrants' credentials are important, and assessment of these credentials is critical to the success of the immigration program.

Although human capital theory does not accurately predict immigrants' earnings, it does provide a framework for assessing the impact that rising educational levels among native-born Canadians have on immigrants' earnings. This is the methodology of statistical decomposition, in which human-capital-earnings equations for immigrants and those born in Canada are used to project future earnings scenarios. I employed this methodology in two previous papers (Reitz 2001b, 2003a): one compares the earnings of immigrants and non-immigrants in Canada; the other compares the situation in Canada with that in the United States. Both cases dramatically show that skill trends among the native-born do have an over-riding effect on the utilization of immigrants' skills.

In Canada, in the period 1991-96, the rise in the educational levels of native-born Canadians accounts for about one-half of the decline in the earnings of new immigrants (Reitz 2001b). If we look at this result in more detail, we find that there are three components at play. First, the educational levels of those born in Canada rose more rapidly than did those of immigrants. Second, the increasing skills of immigrants were less significant, because their labour market value was lower. Finally, the value of education for native-born Canadians increased, whereas the value of that for immigrants did not.

The comparison of decomposition results for Canada and the United States shows that the impact of changes in the educational levels of native-born individuals in the two countries was quite different. Historically, the educational levels of native-born Americans have been higher than those of native-born Canadians, but since the 1970s, the educational levels of native-born Canadians have risen more rapidly. As a result, immigrants' earnings, which had been relatively higher in Canada (Reitz 1998), have begun to decline to U.S. levels. This was true even though immigrants' educational levels rose in Canada and fell in the United States (see also Borjas 1999). In effect, in both countries, relative trends in the educational levels of the native-born population had much more impact on trends in immigrants' earnings than did the direction of change in immigrants' educational levels.

In order to really understand how changes in the labour market are affecting immigrants, much more detailed analysis is required. For instance, if, as is often assumed, immigrants compete primarily with younger workers in urban areas, then it may be that, since increases in educational levels are greatest among these younger workers, the impact on immigrants is even larger than indicated above. Moreover, as Green and Worswick (2004) suggest, the downward trends from 1980 to the mid-1990s in the earnings of all new labour market entrants, including those of the native-born, may be compounding the employment problems for immigrants. Other statistical trends, such as the apparent decline in the return to foreign labour market experience (Aydemir and Skuterud 2004), presumably also reflect broader trends in the labour market as a whole.

Any analysis of the integration of immigrants into the knowledge economy should take into account how organizational changes in the labour market and in the workplace are affecting immigrants. Many of these can be attributed to increasing reliance in modern economies on education-based skills, as Daniel Bell outlined in his seminal analysis of postindustrial society (1973). For example, there is a greater emphasis on credentials as they reflect specific skills that increase productivity (Hunter 1988; Hunter and Leiper 1993); organizational decision-making is becoming more participatory; the most highly skilled employees are gaining more autonomy in their work; there is greater use of personal networks in recruitment; and there are closer links among universities, governments, and employer organizations.



These changes will likely affect workers in the most highly skilled occupations, particularly those in the most skill-intensive industries. According to Statistics Canada, knowledge occupations are those in which a high proportion of workers have a university education. They include the science and engineering professions, health and education, as well as a variety of other professional fields. Knowledge industries are those with a high proportion of knowledge workers and in which investment in research and development is greatest. Among them are the high-tech industries, which include the pharmaceutical, chemical, instrument, electronics, and machinery and equipment industries.

Management is often considered a knowledge occupation, particularly when the activities managed involve highly skilled or professional activities. According to Baldwin and Beckstead (2003, 5), between 1971 and 2001, the proportion of Canadian workers in knowledge occupations almost doubled, increasing from 14 percent to 25 percent. Education levels in these occupations also increased. At the same time, educational requirements have risen in many occupations; therefore, the educational levels in many occupations outside the knowledge category have increased as well (see also Beckstead and Vinodrai 2003, and Beckstead and Gellatly 2004).

Because of changes in recruitment and hiring practices, qualified immigrants appear to be having increasing difficulty gaining access to work in knowledge occupations (Reitz 2003b). As a result, they end up working in less-skilled occupations than do comparably qualified native-born Canadians. In 1996, 59 percent of native-born men with bachelors' degrees were working in knowledge occupations, compared with only 35 percent of recent immigrants (arriving in the previous five years) with bachelors' degrees. The corresponding figures for women were 57 and 28 percent. Of men with postgraduate degrees, 79 percent of those who were born in Canada were working in knowledge occupations, compared with only 59 percent of recent immigrants. The corresponding figures for women were 78 and 49 percent. Between 1981 and 1996, as the importance of knowledge occupations has increased, the differences between the income levels and representation in knowledge occupations of native-born Canadians and immigrants have grown as well. Despite the increases in the skill levels of new immigrants, their representation in knowledge occupations was lower in 1996 than it was in 1981 (Reitz 2003b, 485, 495).

Within the knowledge occupations, immigrants have greater difficulty gaining access to managerial than to professional positions. Analysis of 1996 census data shows that for immigrant men with postgraduate degrees "the barriers to access in managerial employment are greater than they are in the professions;" "[t]he barriers experienced by immigrant women are greater for all levels of education in management jobs than in the professions;" and "[r]acial minorities encounter much greater barriers

to access in managerial occupations than in the professional occupations" (Reitz 2003b, 487).

In knowledge-based industries, many management positions are filled by people from the professional ranks. Yet even if immigrant minorities are successful in gaining access to professional fields, they are sometimes barred from further promotion to the more lucrative senior management jobs. These glass-ceiling barriers may be unfair and discriminatory, as a Canadian Human Rights Tribunal concluded in the widely publicized case of racial barriers in promotion from the professional ranks to senior management at Health Canada (Beck, Reitz, and Weiner 2002).

These barriers to access in professional and managerial occupations and the earnings disadvantages within these fields clearly have the effect of decreasing immigrants' earnings. Less known, but at least as important, are the earnings disadvantages of highly-educated immigrants in occupations outside the knowledge sector, which are actually larger and more financially consequential than those within the knowledge sector. For example, in the knowledge occupations, the net earnings of immigrant men with bachelors' or postgraduate degrees (professions and management) are 12 to 16 percent lower than are those of native-born Canadians with similar education, but in all other occupations they are 25 to 34 percent lower. Over time, negative earnings trends in occupations outside the knowledge sector have contributed substantially to the overall downward trend in immigrant earnings (Reitz 2003b, 493, 500).

Education-based competition is increasing in a wide range of occupations, not just in those that are the most knowledge-based. Increasingly, employers are requiring higher education for occupations, such as those in retail management and those in administration, that are not in the knowledge sector (as defined above). Over the period 1971-2001, although the increase in the percentage of workers in knowledge-based occupations who possessed university degrees was large—from 34.3 percent to 51.6 percent—the increase in workers with university degrees in the rest of the workforce—from 2.7 percent to 9.1 percent—was also significant (Baldwin and Beckstead 2003, 6). It may be that when the educational requirements in occupations outside the knowledge sector are less precisely defined, immigrants experience particular difficulty in demonstrating the equivalence of their foreign-acquired education to Canadian education. Whereas native-born workers are able to use their university background to their advantage across a wide range of nonprofessional or managerial occupations, this may not be the case for immigrants.

The stereotype of immigrants with doctorates driving taxis reflects the most extreme consequence of the barriers to their employment. Instead of working in knowledge occupations, university-educated immigrants often do much less-skilled work. Denied work in the knowledge occupations, and experiencing greater educational competition in the lower-level work, immigrants often wind up in the least-skilled occupations. As Galarneau and Morissette found in the 2001 census, "[a]mong recent im-

migrants with a university degree and employed between 1991 and 2001, at least one in four had a job requiring no more than a high school education" (2004, 13). And according to Statistics Canada, "[m]any degree-holders who came to Canada in the 1990s worked in lower-skilled jobs. Only 29 occupations employed the majority of these men. The list includes: restaurant and food service managers, taxi and limousine drivers and chauffeur[s], truck drivers, security guards and related occupations and janitors, caretakers and building superintendents" (2003, 13). Their earnings were also substantially below those of native-born Canadians in the same occupations (table 1).

These occupation-specific trends suggest that institutional procedures affect the skill-assessment process in several ways. First, despite difficulties in professional occupations, the relative success of immigrants in the professions as compared with those in managerial occupations, and the smaller gap between the earnings of immigrants and those born in Canada in those occupations compared with those outside the knowledge occupations (as demonstrated in the research cited above), partially validates the value of immigrants' qualifications. Immigrants' relative success in the professions implies that the more rigorous credential-assessment processes are advantageous to them. Second, immigrants' difficulties outside the professions indicate that addressing the problem of credential assessment must go beyond the issue of barriers to licensing. Policy reform should also focus on sectors of the workforce outside the knowledge sector, where the processes are often much less formal.

These and other labour market trends suggest that the new knowledge economy is not entirely immigrant friendly. There is a well-known commitment to universality in knowledge-producing institutions such as in the sciences, but the validation of knowledge-based skills in labour markets is inevitably performed by local institutions. The question is whether these local institutions can be adapted to develop this capacity. Employment success increasingly depends on high levels of educational attainment, but only if that education is properly assessed and utilized. The increased emphasis on education-based skills in many occupations, both inside and outside the professions, as well as the increased supply of domestically educated workers, means that immigrants now face significant competition in the labour market and cannot escape the problem of skills transferability. Creating labour market institutions that can handle a diverse workforce will require institutional innovation and change.

#### IV. INSTITUTIONAL CHANGE: COMPLEXITY, TIMING AND RACIAL ATTITUDES

The success of Canada's immigration policy depends on the presence of one essential feature in the emerging global labour market, namely, institutions that link workers to jobs and provide for the international transferability of skills. The effective functioning of any labour market presupposes the existence of institutionalized means by which employers

can assess the productive value of prospective workers' skills for the positions available. When workers move from one country to another, skill transferability becomes crucial. These institutional requirements include access to accurate information about the skills reflected in credentials acquired from specific educational institutions in other countries; reliable information regarding the individuals' performance in acquiring their credentials; and the performance assessments of comparably qualified individuals in comparable local employment situations. In a knowledge economy, the skills required are increasingly education-based, and their importance to employment performance is increasing.

While in today's labour market, there should be incentive enough for employers to participate in improving these processes, there are important challenges to achieving institutional change. The first is the complexity of the required changes; the second is the timing of the changes in relation to the decision-making processes involved and also to the different priorities of employers and immigration policy-makers; and the third is the effect of racial attitudes in the host society. Although these issues are dealt with separately, of course, they are interrelated. For example, the complexity of institutional change may place demands on decision-making structures, and racial attitudes may affect the way in which both of these aspects are handled.

#### A. INSTITUTIONAL COMPLEXITY

A number of institutional elements affect the utilization of immigrants' skills. In addition, the institutional changes required will necessarily involve the participation of actors from a number of sectors (Alboim 2003). In addition to employers and immigrants themselves, there are the organizations that represent their interests. For immigrants, these include labour groups and immigrant or ethnic community organizations. The utilization of immigrants' skills is affected by decisions about the local relevance of foreign-acquired credentials, education, and experience. Greatly complicating the situation is the fact that institutions involved in these decisions are often structured on an occupation-specific basis. Co-operation is thus required from the licensing bodies that control occupational access to the professions and trades, as well as from the educational and occupational-training institutions that can bridge the existing skill gaps.

In discussions of barriers to immigrant skill utilization, the role of licensing bodies has probably received the most attention. Immigrants who worked abroad as professional engineers, for example, may encounter difficulty obtaining a licence to practice in Canada. Although there has been progress in this area, more work is needed. But important as it is, access to professional and trade licences is only a very small part of the problem, even for immigrants seeking work in those occupations. Possession of a licence does not guarantee a job, and those who do get jobs in licensed occupations are not guaranteed professional advancement or

promotions. As various studies have shown, the career path leading from professional to managerial responsibility, which is often successfully followed by native-born workers, is blocked for many immigrants (Reitz 2003b; Beck et al. 2002).

Immigrants also experience difficulty in gaining a licence when there are specific gaps in their training, or when specific skills are not transferable. In other words, their educational background may be relevant, but it may not contain all of the elements required in a Canadian context. Frequently, in these cases, they are required to repeat the entire training program in Canada, which, of course, is wasteful. A more efficient way to fill specific skills gaps would be to provide some form of bridge training, such as occupation-specific programs involving collaboration among educational institutions, governments, and regulating bodies. The University of Toronto's Faculty of Pharmacy has developed such a program, which enables pharmacists trained outside North America to take university-based courses and other resources, thereby facilitating their preparation for professional practice in Ontario. Known as the International Pharmacy Graduate Program, it is offered in collaboration with the Ontario College of Pharmacy and the Ontario Ministry of Training Colleges and Universities. There are a few such programs in the health professions, and others are being developed.

Recognition of foreign educational credentials is also a problem in occupations that are not licensed or regulated. These occupations frequently require substantial educational qualifications, even though the requirements may be less specific or explicit. They include some knowledge-based occupations, for example, managerial positions in knowledge-based industries. Since this labour market sector is less formally organized, institutional change may be more difficult to achieve.

One useful type of institution that is widely available in the less-regulated sector of the labour market is the formal credential-assessment services. These are offered in virtually all high-immigration areas in Canada. For a fee (approximately \$100), they offer immigrants an authoritative assessment of the Canadian equivalence of their foreign educational credentials. The services in Quebec, Ontario, and British Columbia consist of a diverse mix of public and private involvement. For example, the Ontario provincial government mandated World Educational Services (a U.S.-based firm) to provide immigrant credential assessment. Although immigrants have so far made limited use of these services, credential assessment is making inroads and could play an important role in breaking down barriers to immigrant skill utilization. At the same time, these organizations need to gain more acceptance among employers, who are often as unfamiliar with credential-assessment services as they are with the foreign credentials themselves. For their part, the assessment services may not be providing some of the information employers need, such as information about distinctions in quality among foreign universities corresponding to differences among Canadian ones. Hence, it is difficult to

judge the effectiveness of these services, and it would be useful if they were subjected to a systematic evaluation with a view to ensuring or enhancing skill utilization in practice.

The shortcomings of the institutions that certify immigrants' qualifications and promote skill utilization are epitomized by employers' notorious demands for Canadian experience. This has been a source of particular frustration for immigrants because of its Catch-22 character (you need Canadian experience to get Canadian experience) and also because of the suspicion that it hides prejudice against immigrants and minorities. Yet employers have a legitimate interest in knowing whether a job candidate can function effectively in the local context. In judging native-born job applicants, employers get information by means of recommendations from previous employers or well-known local educational institutions. Quite understandably, hiring immigrants in the absence of such information may be seen as a significant risk.

In this context, programs promoting the mentoring of new immigrant employees by more senior colleagues may well be useful. These are a kind of on-the-job training similar to apprenticeships or internships. They constitute a means by which the designated mentor can pass on knowledge about local practices in an occupational field. While employer-sponsored apprenticeship programs are not yet as common in the Canadian labour market as they are in some other countries, such as in Germany, they could potentially be very useful in addressing immigrants' needs. But they must be carefully designed: programs and processes will have to be set up to match mentors with immigrants most effectively. It may also be necessary to provide subsidies.

Within most large and complex organizations, human resource managers are usually responsible for ensuring effective utilization of the skills of job applicants and employees. Increasingly, this task involves "diversity management," that is, addressing employment issues related to gender, disability, and sexual orientation, as well as to ethnicity and immigrant status. Although human resource managers are likely to support and promote the institutional changes sketched above, there are limits to what they may be able to achieve on their own. For instance, human resource managers may have the expertise to initiate immigrant mentorship, but they will need resources to do so. Setting up these programs may require collaboration with groups other than the employer organization as well.

Information is key in many of these changes, and developing the means for effective communication between immigrants and employers is part of the necessary institutional response. On the immigrant side of the equation, Citizenship and Immigration Canada is creating a Web site called "Going to Canada."<sup>3</sup> This Web site is intended to serve as a one-stop source of information for prospective immigrants and also for those al-

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3. The internet locations available at the time of writing are: [http://www.canadainternational.gc.ca/GTC/Going\\_To\\_Canada-EN.htm](http://www.canadainternational.gc.ca/GTC/Going_To_Canada-EN.htm) and [http://www.canadainternational.gc.ca/GTC/Going\\_To\\_Canada-FR.htm](http://www.canadainternational.gc.ca/GTC/Going_To_Canada-FR.htm).

ready living in Canada. It includes information on a range of topics related to work, credential assessment, regulated professions and trades, and other labour market issues. It also features links to information about local labour markets and employers. Still in the experimental stages, neither the effectiveness of the Web site in reaching its target audience, nor the usefulness of the information has yet been assessed. Comparable information sources for employers and other interested groups might also be useful.

Finally, institutional change requires a supportive environment. In other words, attitudes matter. Although employers and the public basically support immigration, they tend to be somewhat sceptical about immigrants' skills. A recent poll in Toronto showed that 68 percent of respondents agreed that it is "difficult for skilled immigrants to find jobs in their chosen field," and this is within the context of generally positive attitudes toward immigration as a boost to the local economy (TRIEC 2004). Perhaps, then, a greater degree of positive commitment is necessary to bring about meaningful institutional change, inasmuch as general sympathy with the issue may or may not translate into support for concrete actions in workplaces where the actual financial risks are taken. In effect, positive actions and incentives may be required to reinforce supportive work environments. Although public attitudes may provide some of these incentives—the TRIEC poll also shows that one-third of the public would be more likely to do business with a company that "went out of its way to incorporate skilled immigrants"—specific recognition of employers that do develop effective best practices could be useful. *Canadian Business* magazine, in collaboration with OMNI Television, took a step in this direction by publishing a list of the "best employers for visible minorities" ("Minority Report" 2004).

## B. TIMING AND DECISION-MAKING STRUCTURES

Given the complexity of the changes required, questions of timing and decision-making obviously arise. Can the institutional changes needed to avert or reverse the decline in immigrant employment outcomes be made before its negative consequences become irreversible? Are the necessary decision-making processes in place? Of course, given enough time, employers might become more familiar with foreign-acquired qualifications. But working against this is the very complexity of the institutional changes needed to accommodate foreign-trained workers and the rapid increase in the supply of highly skilled native-born workers, which reduces the incentives for employers to innovate in the area. Thus, from the employer's perspective, the issue of immigrant skill utilization may be much less pressing than it is for those concerned with the broader goals of the immigration program, or for the rest of society, if there are negative economic and social consequences of declining immigrant employment outcomes.

Experience shows that the development of inter-regional skill transferability in labour markets is a fairly slow process. Even within Canada there are a number of specific occupations in regulated professions and trades where there are still inter-provincial barriers. Although now people educated in one Canadian province can usually qualify quite readily for work in another, and basic secondary and post-secondary degrees are recognized across Canada, this has not always been the case. And even though today, many American educational credentials are recognized in Canada, it has taken time. In order to make progress in the recognition of qualifications obtained in even less familiar and more distant countries, considerable and coordinated effort will be required.

The ongoing decline in immigrants' employment outcomes has been fairly rapid, and its negative impacts could translate into a number of social problems over time. First, we can expect demands on the social safety net to increase. Although immigrants are known to be self-reliant and reluctant to take advantage of the social assistance for which they are eligible, high rates of poverty and social disadvantage will inevitably translate into high rates of social-service take-up. Second, we can expect public perceptions of immigrants as a liability or social problem to become more widespread. This would be exacerbated if social problems associated with poverty were to emerge. Third, there may well be a political reaction on the part of the immigrants themselves. Although the time frame for these outcomes is unknown, the risks are clear: the problem is real and unlikely to disappear, and given the complexity of the solutions and the length of time required to implement them, it would be prudent to begin remedial action now.

If change is more urgent for governments than it is for employers, and if the process must be kick-started, adequate decision-making structures must be in place. For this, intergovernmental collaboration and cooperation is crucial. In Canada, various government agencies have voiced concerns about immigrant skill utilization, and initial steps have been taken to develop new policy. But no one agency has clear responsibility for immigrant skill utilization. Instead, this responsibility resides with different levels of government and with different agencies at the different levels of government. At the federal level, for example, Citizenship and Immigration Canada is responsible for immigration, and it has voiced concerns about skill utilization. Yet current immigration policy is designed to minimize government involvement in matters related to the integration of immigrants into the labour force. Other federal agencies are responsible for industrial development, which includes employment issues. For example, in 2002, Human Resources and Development Canada, in cooperation with Industry Canada, committed \$40 million over five years to the integration of immigrants into the labour market as part of Canada's Innovation Strategy (Canada 2002). Yet public statements make it clear that action on this front depends on undefined cooperation with other levels of government, because regulation of employment is



formally a provincial responsibility. Unfortunately such cooperation is far from automatic, and to date, it has been limited.

Recently, federal and provincial governments have concluded a number of agreements on immigration (in addition to the long-standing agreement involving Quebec). Much attention has been focused on two issues that are tangential to the issue of skill utilization: immigrant selection and the allocation of settlement funds. There have also been moves toward greater federal-provincial collaboration in developing a more effective immigrant-employment policy. These are promising, but rapid progress is needed.

Municipalities also have their share of the responsibility: they provide the services. But they are resource-poor and are fragmented among the metropolitan areas in which immigrants settle. In Toronto, for example, the need for coordination of immigration-related issues has only recently emerged as an item on the local agenda, as part of a broader resurgence of attention to urban needs. While progress is being made, the question that remains to be answered is whether the pace of change is sufficient, given the task at hand.<sup>4</sup>

### C. RACIAL ATTITUDES

Underlying all these issues are questions arising from the interrelation between immigration issues and increasing ethnocultural and racial diversity. Because the groups affected by skills underutilization are primarily composed of racial minorities, there is obviously the potential for inter-group tensions and prejudice to emerge. Indeed, there is already much evidence of racial prejudice and employment disparities in Canada (Boyd 1992; Christofides and Swidinsky 1994; Reitz and Breton 1994; Li 1998; Baker and Benjamin 1994, 1997). Ethnic and racial stereotypes may affect perceptions of immigrant qualifications; cultural differences and misunderstandings can impede efforts at cooperation; and the minority status of individual groups may have an effect on the attention they receive in the political process.

Although the problem with recognition of immigrants' foreign qualifications generally has not been articulated as one of racial discrimination, racial discrimination definitely is one cause of skill underutilization. Racial discrimination is said to occur when negative employment decisions are based on the candidates' racial origins, rather than solely on their skills. Racial discrimination is not necessarily based on racial prejudice, but could arise from other individual and organizational circumstances. The evidence that racial minorities experience greater problems of skill underutilization has also been viewed as evidence of racial discrimination.

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4. The Toronto Region Immigrant Employment Council (TRIEC), an initiative with which I am personally affiliated, is a nongovernmental organization working in this area.

The context of race relations suggests that in some circumstances, the resistance to better utilization of immigrant minorities' skills is not only a problem of institutional barriers in labour markets, but also one of inter-group relations. This is quite evident in the controversy over whether racial attitudes underlie employers' requirements for Canadian experience. Virtually any employer's judgment that a foreign-acquired qualification reflects a lower standard than its Canadian counterpart could be questioned as discriminatory bias.

The issues of race and employment emerged as part of the debate in Canada over employment equity. It was highly controversial, and the resulting policy initiatives have been weak, confused, and fragmented. These policy shortcomings are compounded by the fact that employment-equity legislation operates completely differently at the federal and provincial levels. At the federal level, it was introduced by a Progressive Conservative government in 1985 and originally included "visible minorities," among other "target groups." Since then, it has been administered, with periodic adjustments, under the (rather limited) federal employment jurisdiction. Provincially, in Ontario in the mid-1990s, the New Democratic Party introduced legislation similar to the federal law, but it was later scrapped by a Progressive Conservative government on the grounds that it amounted to racial quotas. This puzzling divergence in the discourses regarding employment equity is evidence that Canadian governments have had great difficulty in directly confronting issues related to race. It illustrates how race relations complicate the process of addressing the employment circumstances of immigrant minorities.

It is very likely that racial attitudes will affect the process of institution-building as it relates to immigrant qualification recognition. The question is, to what extent?

## V. CONCLUSION: TOWARD A NEW "CANADIAN MODEL" FOR IMMIGRATION

If we are to retain Canada's distinctive institutional model for immigration, that model will require adaptation. The existing Canadian model developed as a result of the country's substantial commitment to immigration, which was dictated, in part, by geography and political economy. It consists essentially of two main components: immigrant selection—more specifically, the human-capital-based points system—and the policy of multiculturalism. Today, as Canada pursues mass immigration in the context of the knowledge economy and declining employment outcomes for immigrants, the sustainability of the immigration program in the evolving global labour market is in question.

In this paper I have suggested that there is a lack of adequate institutional means to facilitate the effective utilization of immigrant skills. I identified a number of institutional challenges related to institutional complexity, timing and racial attitudes. To some extent, the institutional complexity is a result of the number of different players involved: em-

ployers, occupational regulatory and licensing bodies, labour unions, post-secondary educational institutions, credential assessment providers, nongovernmental organizations representing immigrants, the various levels of government, and private funding agencies.

The range of institutional innovations that will be necessary if we are to create a global knowledge-credentials network is also complex. To list only a few, these innovations include:

- Improved Internet-based and other information sources for immigrants, both before and after they arrive in Canada;
- More support for providers of credential assessments to improve the labour market effectiveness of their services;
- Bridge-training programs to top up immigrant skills or to fill gaps across a wider range of occupations;
- Subsidized workplace internship and mentoring programs for immigrants;
- Upgraded human-resource-management training programs that include training about ethnic diversity issues;
- Employer recognition of best practices; and
- Improved public awareness of the problems faced by skilled immigrants in integrating into the Canadian labour market and their consequences.

There is broad support for many of these proposals, but to bring about institutional change and create a new Canadian model for immigration, the various agencies and levels of governments must work together. To develop the initiatives outlined in this paper, government leadership will be required to coordinate the various institutional players that share the responsibility for the various aspects of the utilization of immigrants' skills: the federal government for immigration and for broad economic and social policy; provincial governments for employment, education, and municipal affairs; and municipal governments for immigrant settlement and delivery of services.

To a large degree, the future success of our immigration policy depends on our ability to meet this challenge. And if we do not do so in a timely fashion, several consequences are likely. In the short term, there may be increased pressure to reduce the size of the immigration program and its place in the nation's overall development strategy. In the longer term, there is the potential for societal problems. Whether Canada becomes a leader in this field remains to be seen. Several countries have been working on this issue for some time. In the United States one could mention the National Council on the Evaluation of Foreign Academic Credentials. In Australia, there is the National Office of Overseas Skills Recognition (see also Castles et al. 1989). The European Union has long identified skill utilization for migrants within the EU as a priority and has developed policies to address credential assessment and related matters. Specifically, the European Network of National Information Centres and the National Academic Recognition Information Centres coordinate aca-

demographic recognition and mobility. All these initiatives focus specifically on credential assessment and recognition. The real policy objective, however, is effective utilization of immigrants' skills in labour markets, which in turn depends on the broader development of labour market institutions. Fully functioning global labour markets are becoming a priority. Our heavy reliance on immigration for expansion and growth gives us a considerable incentive to focus our energies in this area.

TABLE 1  
NUMBER AND AVERAGE EARNINGS OF MEN AGED 25 TO 54  
WITH A UNIVERSITY DEGREE IN OCCUPATIONS  
EMPLOYING THE MAJORITY OF RECENT IMMIGRANTS,  
ALL EARNERS, CANADA, 2000

| Occupation                                                                           | Men aged 25-54 with a university degree, all earners |         |                  |               |         |                  |
|--------------------------------------------------------------------------------------|------------------------------------------------------|---------|------------------|---------------|---------|------------------|
|                                                                                      | Recent immigrants <sup>1</sup>                       |         |                  | Canadian-born |         |                  |
|                                                                                      | Number                                               | Percent | Average earnings | Number        | Percent | Average earnings |
| 1. Computer and information systems occupations                                      | 31,865                                               | 18.1    | 52,022           | 68,005        | 6.9     | 59,927           |
| 2. Retail-trade managers                                                             | 4,365                                                | 2.5     | 31,462           | 20,510        | 2.1     | 59,889           |
| 3. Financial auditors and accountants                                                | 3,750                                                | 2.1     | 40,756           | 33,465        | 3.4     | 72,230           |
| 4. Electrical and electronics engineers                                              | 3,350                                                | 1.9     | 55,755           | 9,680         | 1.0     | 75,000           |
| 5. Mechanical engineers                                                              | 3,170                                                | 1.8     | 51,754           | 8,515         | 0.9     | 67,773           |
| 6. Sales, marketing and advertising managers                                         | 3,025                                                | 1.7     | 46,475           | 25,315        | 2.6     | 88,979           |
| 7. Retail-sales persons and sales clerks                                             | 3,020                                                | 1.7     | 26,842           | 13,500        | 1.4     | 42,591           |
| 8. Post-secondary teaching and research assistants                                   | 2,640                                                | 1.5     | 20,365           | 6,660         | 0.7     | 20,074           |
| 9. University professors                                                             | 2,455                                                | 1.4     | 55,003           | 11,695        | 1.2     | 62,807           |
| 10. Civil engineers                                                                  | 2,235                                                | 1.3     | 45,436           | 14,480        | 1.5     | 65,078           |
| 11. Information systems and data-processing managers                                 | 2,220                                                | 1.3     | 77,765           | 11,655        | 1.2     | 86,800           |
| 12. Restaurant and food-service managers                                             | 2,090                                                | 1.2     | 25,002           | 4,745         | 0.5     | 41,208           |
| 13. Taxi and limousine drivers                                                       | 1,785                                                | 1.0     | 19,913           | 775           | 0.1     | 22,719           |
| 14. Manufacturing managers                                                           | 1,700                                                | 1.0     | 55,890           | 11,670        | 1.2     | 93,337           |
| 15. Electronics assemblers, fabricators, inspectors and testers                      | 1,585                                                | 0.9     | 24,970           | 405           | 0.0     | 39,781           |
| 16. Electrical- and electronics-engineering technologists and technicians            | 1,560                                                | 0.9     | 39,731           | 2,000         | 0.2     | 53,443           |
| 17. Truck drivers                                                                    | 1,555                                                | 0.9     | 31,321           | 2,245         | 0.2     | 33,582           |
| 18. Sales representatives, wholesale trade (nontechnical)                            | 1,550                                                | 0.9     | 36,283           | 13,845        | 1.4     | 59,939           |
| 19. Janitors, caretakers and building superintendents                                | 1,430                                                | 0.8     | 25,674           | 2,430         | 0.2     | 29,056           |
| 20. General practitioners and family physicians                                      | 1,410                                                | 0.8     | 110,025          | 12,635        | 1.3     | 130,732          |
| 21. Industrial and manufacturing engineers                                           | 1,365                                                | 0.8     | 50,613           | 4,610         | 0.5     | 65,539           |
| 22. Shippers and receivers                                                           | 1,350                                                | 0.8     | 25,353           | 1,735         | 0.2     | 27,130           |
| 23. Secondary school teachers                                                        | 1,325                                                | 0.8     | 37,219           | 14,670        | 1.5     | 49,010           |
| 24. College and other vocational instructors                                         | 1,325                                                | 0.8     | 36,387           | 51,070        | 5.2     | 49,192           |
| 25. Chemists                                                                         | 1,295                                                | 0.7     | 47,477           | 3,695         | 0.4     | 57,107           |
| 26. Material handlers                                                                | 1,290                                                | 0.7     | 25,303           | 2,135         | 0.2     | 29,593           |
| 27. Financial and investment analysts                                                | 1,285                                                | 0.7     | 77,489           | 9,140         | 0.9     | 84,371           |
| 28. Senior managers — financial, communications carriers and other business services | 1,205                                                | 0.7     | 68,832           | 14,785        | 1.5     | 164,075          |
| 29. Security guards and related occupations                                          | 1,175                                                | 0.7     | 18,139           | 1,795         | 0.2     | 26,087           |
| Total in the occupations employing the majority of recent immigrants <sup>2</sup>    | 88,375                                               | 50.1    | 48,250           | 377,685       | 38.2    | 68,350           |
| Total in all occupations                                                             | 176,495                                              | 100.0   | 41,663           | 989,825       | 100.0   | 66,520           |

Source: Statistics Canada, *Earnings of Canadian*, Cat. no. 96F003OR1E 200101 3, p. 37, 2003 (based on the 2001 census).  
Note: Numbers 2, 6, 7, 12, 13, 17, 18, 19, 22, 26 and 29 are not considered "knowledge occupations."  
<sup>1</sup> Men who arrived in Canada from 1990 to 1999.  
<sup>2</sup> Calculated on the basis of rounded data.

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